Preventing Insider Abuse

Red Flags

Red flags had been observed by coworkers in 85 percent of cases in the Association of Certified Fraud Examiners' (ACFE) 2022 survey. Two or more red flags were noticed in 51 percent of cases. The most commonly observed red flags were:

- Living beyond means
- Financial difficulties
- Unusual closeness with vendor or customer
- Control issues / unwilling to share duties
- Divorce or family problems
- Having a "Wheeler-Dealer" attitude
- Irritability / suspiciousness / defensiveness
- Addiction problems
- Complaints about pay
- Excessive pressure from the organization to meet goals

Best practices for anonymous reporting mechanisms

The ACFE study showed that organizations with reporting mechanisms found fraud faster and had lower losses.

- Employees must have trust in the system
- Use of independent third parties to provide anonymity aids in creating trust
- A means of reporting back to the tipster
- Employees should receive training on the system
- The system should be simple and understandable
- Outcomes should be fair and consistent
- The system should be empathetic and supportive to reporters
- Care should be taken to prevent reports of possible misconduct from coming back to the person being reported on

Disrupting the Fraud Triangle

Ideas for protecting people from the dynamics of the fraud triangle:
- Pressure
  - Bring the "perceived non-shareable need" out into the daylight by providing a confidential, neutral source for employees to talk to about their needs and problems.
  - Monitor potential pressures:
    - Pay attention to employee comments and lifestyle cues, including information regarding family situations.
    - Consider obtaining employee authorization (after consulting legal counsel) at onboarding to periodically obtain and review their credit reports – to monitor debt pressure
- Opportunity
  - Increasing the perception of detection is the most effective way to reduce perceived opportunity.
    - Make employees aware that independent, random checks will be made of areas where they have the opportunity to commit fraud
    - Provide periodic training to all employees on red flags, increasing the perception by at-risk employees that their coworkers would recognize and report suspicious behavior
- Rationalization
  - Conduct periodic anti-fraud training, including messaging designed to counteract common rationalizations.

Resources
ACFE Fraud Resources Library: https://www.acfe.com/fraud-resources
- Report to the Nations (2022 Global Study on Occupational Fraud and Abuse)
- Topics and Resource Types
  - Fraud Prevention and Deterrence
    - Prevent Fraud Before it Happens: How to Train Employees to be Fraud Detectors
    - Beyond Checking the Boxes: Establishing a Fraud Prevention Plan

Disrupting the Fraud Triangle